



Hospice Financial Benchmarking Report

Six months from April-
September 2023

hospice^{uk}



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Acknowledgements

Executive Summary

The purpose of the benchmarking project is twofold:

- The primary purpose is to provide information for hospices to enable them to compare their performance to others;
- An additional benefit will be to provide Hospice UK with more real time information about financial trends in the sector.

All information about individual hospice results is anonymous unless they choose to share it.

The information collected has been set by hospice finance directors based on what is most useful and practical for them to provide, and will evolve based on feedback from the group.

82 hospices participated in this second round of the benchmarking exercise (an increase of **16** from the **66** who participated in the first round).

The hospices participating in the survey collectively recorded a deficit of **£20.5M**, compared to a budget deficit of **£51M**. The difference compared to budget is almost entirely due to savings in expenditure.

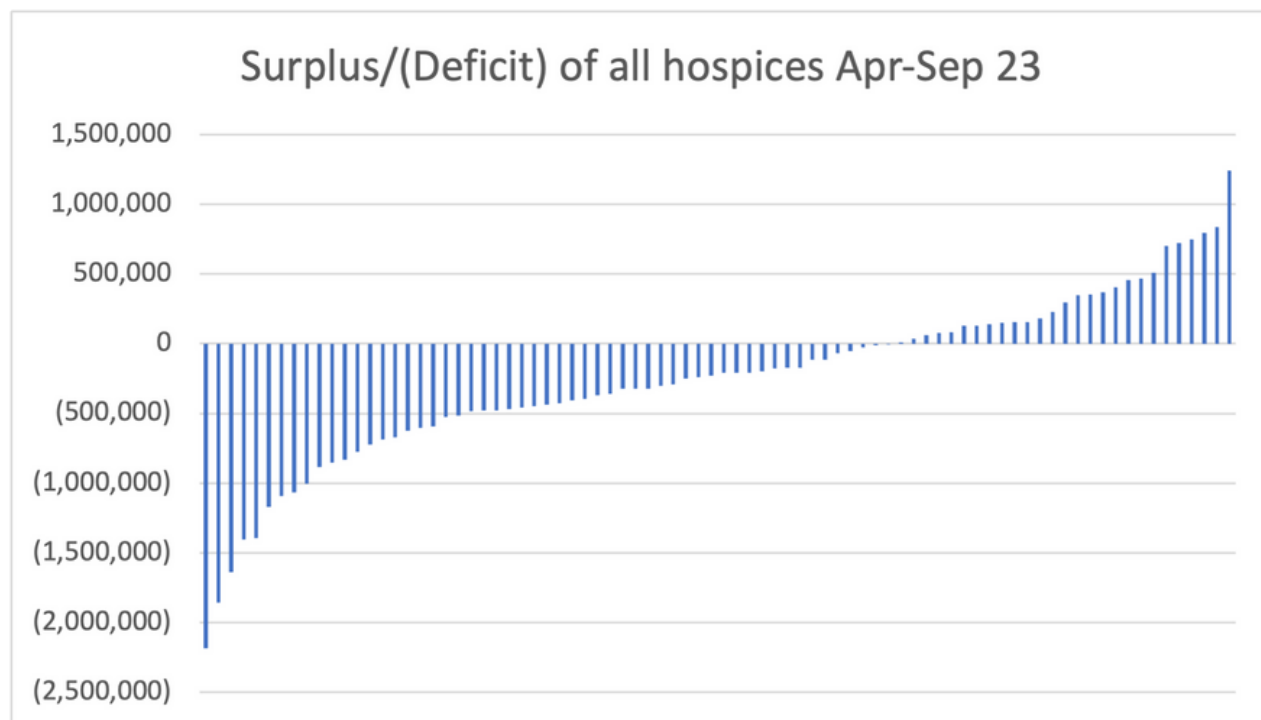
Although better than budget, collective performance is over **£19M** worse than in the same period last year (when the hospices overall made a very slight surplus), and the overall results show a sector facing significant financial challenges.

In addition to this summary report, all participating hospices will receive a confidential individual report showing where they rank in comparison to their peers on all metrics included in the report.

This report is produced in partnership with db associates.

Overall results

Distribution of surplus/(deficit) by individual hospice



The average deficit of hospices participating in the survey is **£251k** after six months (in comparison, although it is not exactly the same cohort, the average deficit in the first three months was **£237k** – so hospices financial performance in the second quarter was significantly better than the first, and on average just **£14k** short of break even).

If the pattern in the first half of the year is repeated in the second half, then it means the average hospice is heading for a deficit of just over **£0.5M** this financial year.

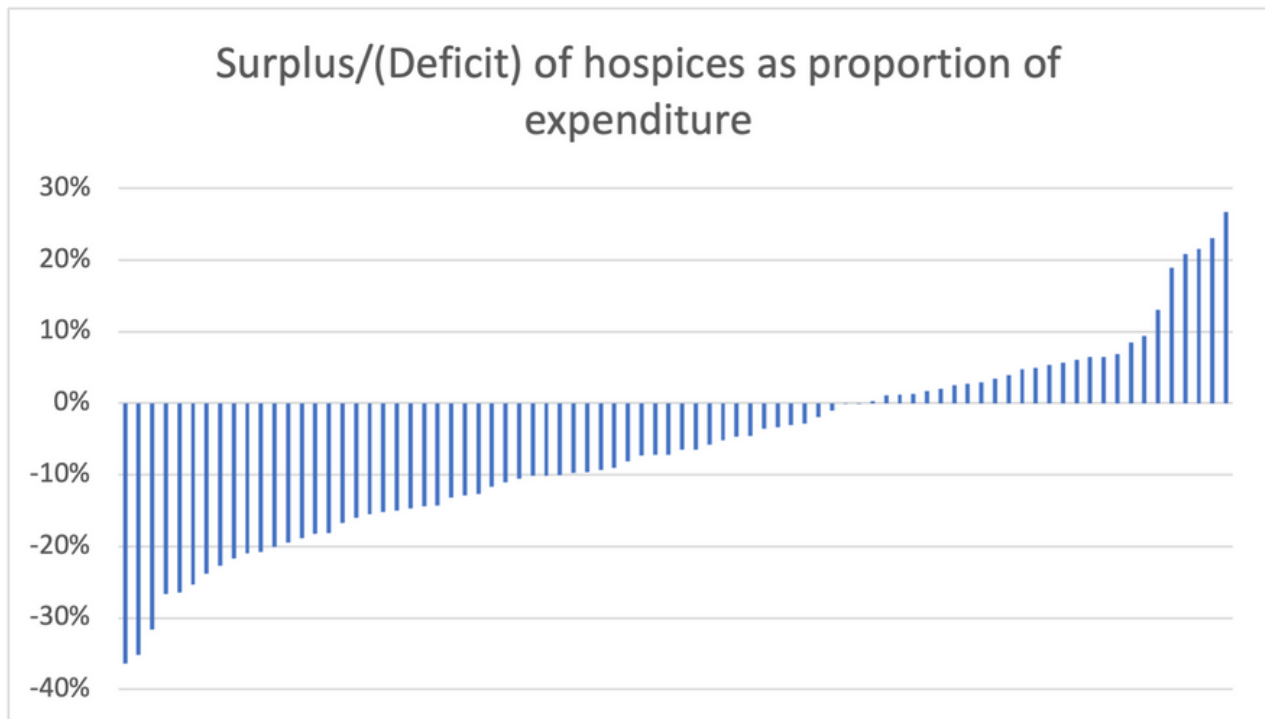
55 of the **82** hospices (i.e. two thirds) recorded a deficit. Of these, **nine** recorded a deficit of over **£1M** in the first six months.

In contrast, only **27** hospices recorded a surplus. The highest surplus recorded was **£1.2M** which was by a hospice who received an exceptional charitable donation.

If we gross up the results for our members who did not participate in this exercise, and assume results are even throughout the year, then the independent hospice sector is heading for a collective deficit of **£81M** this year (or **£99M** if we assume the results of the two national hospice chains, who did not participate in this survey, follow a similar pattern).

That forecast is significantly less pessimistic than we were expecting after the first quarter's results, and it is likely that it will change further. As this is the first year we have attempted real time financial benchmarking, we do not have a strong model as to how we expect hospices' finances to change throughout the year.

Surplus/(Deficit) as a proportion of expenditure



Comparing actual surplus and deficit has some limitations, as larger hospices are always going to record bigger figures than smaller organisations (e.g. a £100k deficit may not be concerning for one of the largest hospices, but could represent a major challenge for a small community-only service).

An alternative way of comparing results, to negate the impact of hospice size, is to look at overall surplus or deficit as a proportion of expenditure. So, using this measure, a hospice which spent £1M in six months and recorded a deficit of £100k would show a result of -10%.

The graph above shows the breakdown of all hospices result based on this measure.

The graph shows that:

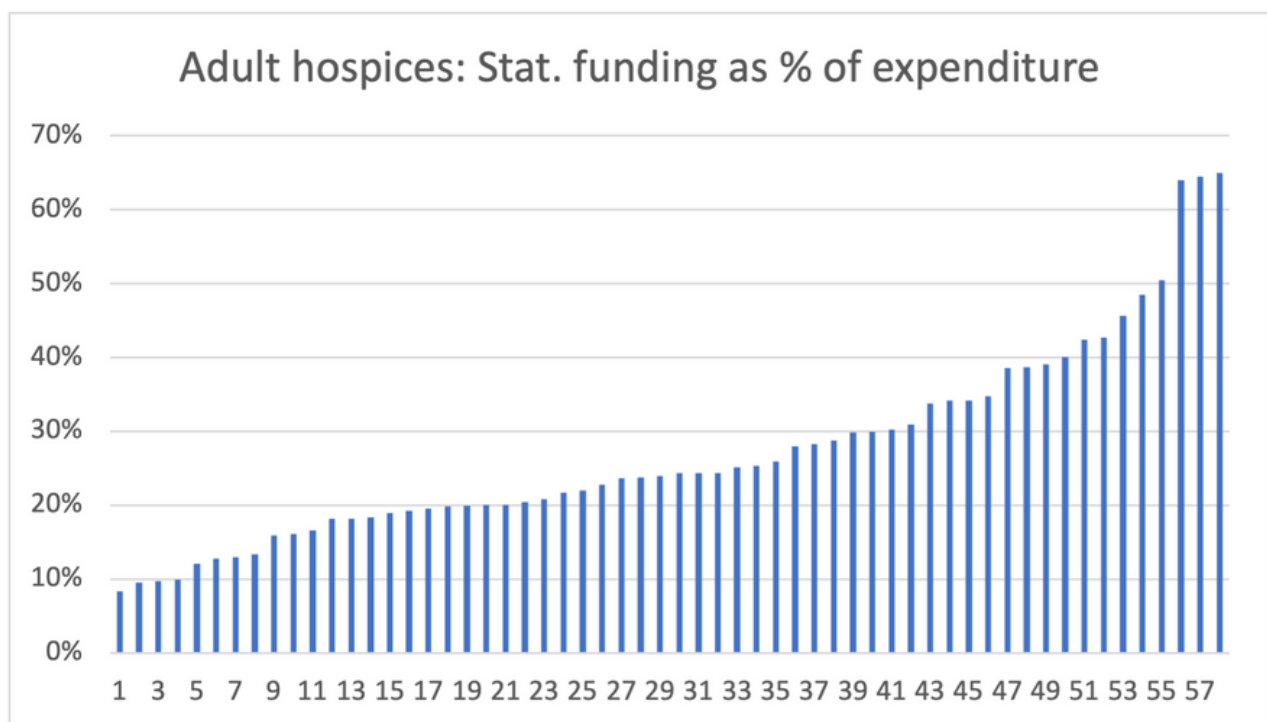
- a) only **four** hospices are recording a surplus representing more than 20% of their expenditure
- b) but **13** hospices are recording a deficit representing more than 20% of their expenditure.

Statutory Funding as a proportion of expenditure

Note that for the purpose of this benchmarking report, the method of calculating the government funding percentage is slightly different to that which we use in our annual hospice accounts report, due to the level of information available to us.

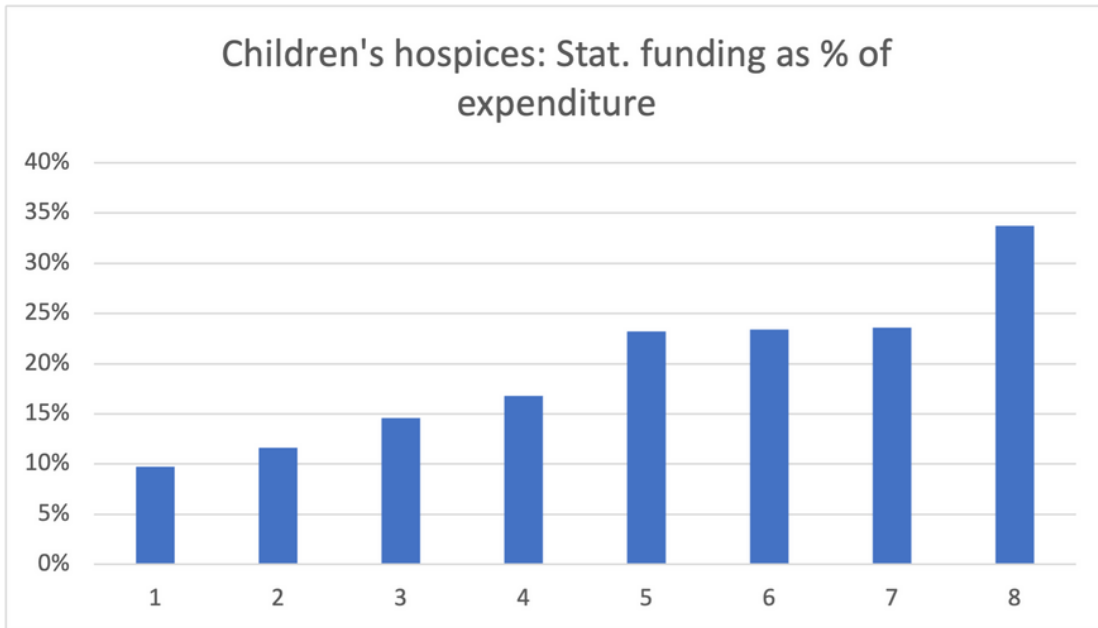
In the hospice accounts report, we divide statutory funding by all expenditure excluding retail and lottery expenditure. In this benchmarking report, we have divided statutory funding by all expenditure including retail and lottery expenditure. We would therefore expect the reported government funding percentage to be a little lower than the one third that we have historically reported in the hospice accounts report.

The overall average level of statutory funding for all hospices is **25%**, but it is more useful to consider the different types of hospice separately.



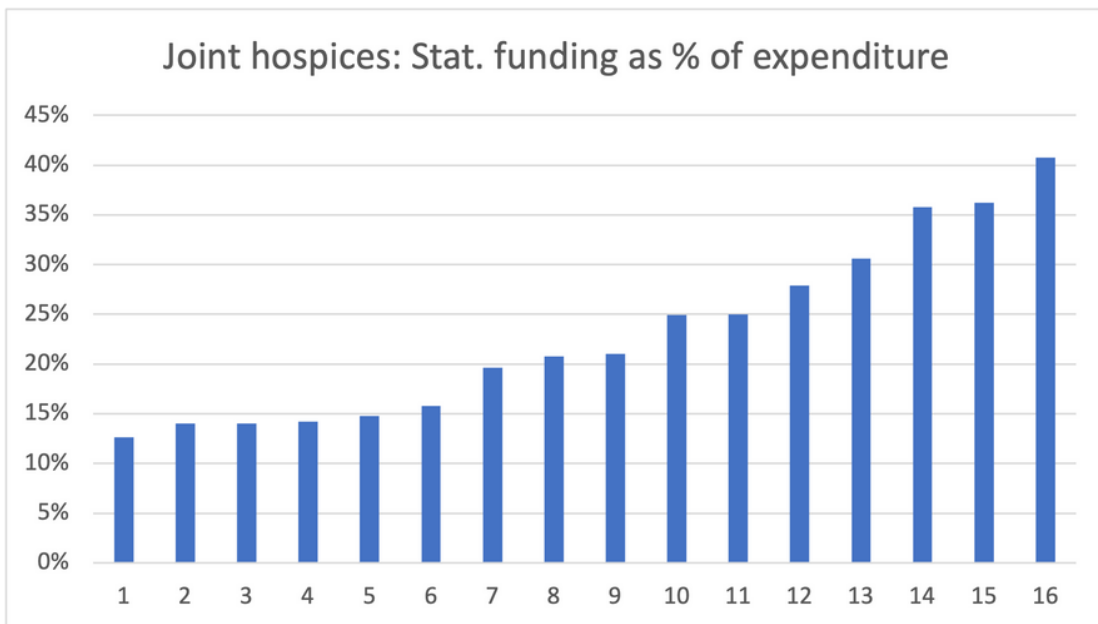
This graph shows government funding as a proportion of all expenditure for adult hospices. **58** hospices have been included in this calculation.

- The median statutory funding for adult hospices is **24%**
- The mean statutory funding for adult hospices is **27%**
- The lowest level of statutory funding is **8%** and the highest is **65%**.



The above graph shows government funding as a proportion of all expenditure for children's hospices. **Eight** hospices have been included in this calculation.

- The median statutory funding for children's hospices is **20%**.
- The mean statutory funding for children's hospices is **19%**.
- The lowest level of statutory funding is **10%** and the highest is **34%**.



The final graph (above) shows government funding as a proportion of all expenditure for joint hospices. **13** hospices have been included in this calculation.

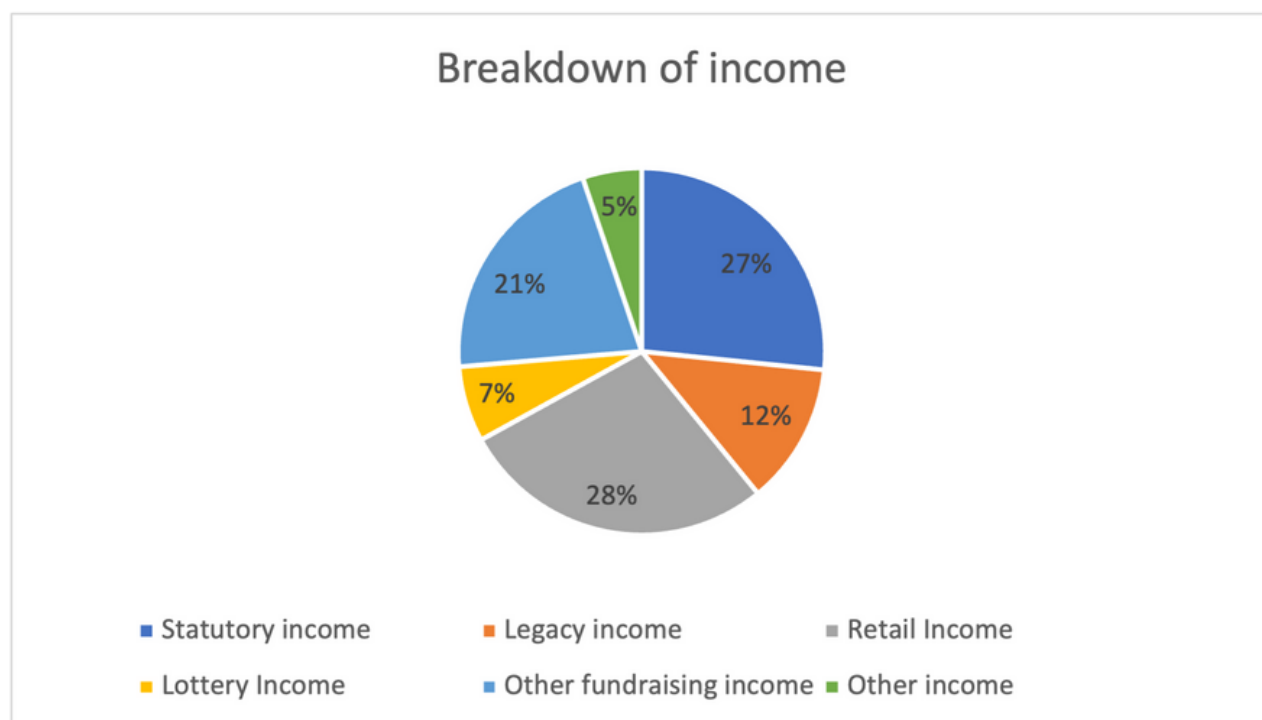
- The median statutory funding for joint hospices is **21%**.
- The mean statutory funding for joint hospices is **24%**.

Breakdown of Income and Expenditure

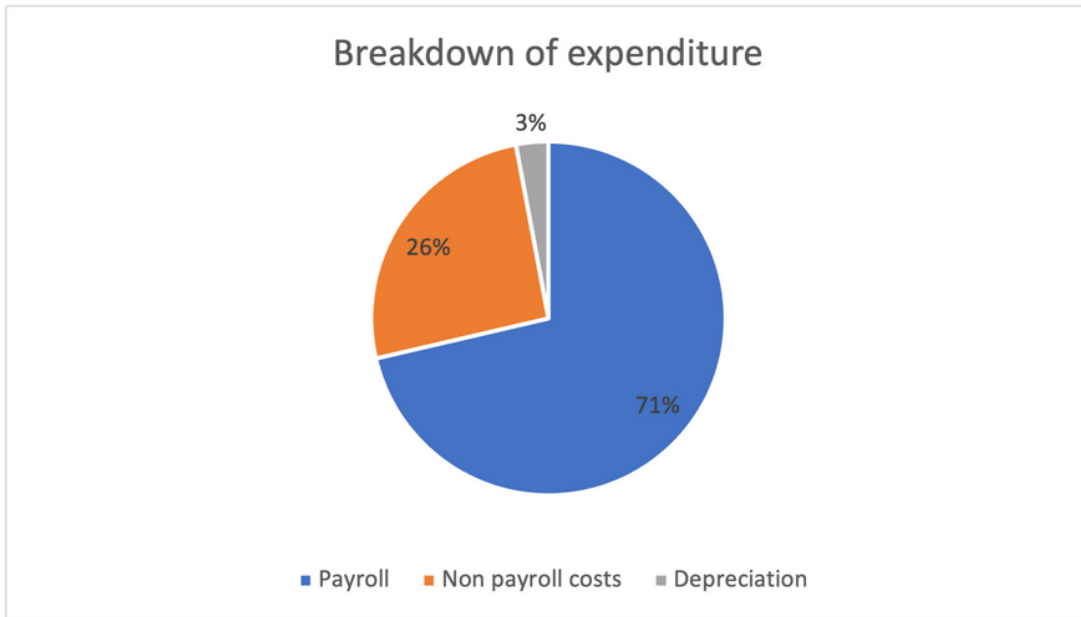
Income

This section shows the breakdown of income and expenditure for different hospices participating in the survey. The individual reports sent to each hospice will enable them to compare their mix of income and expenditure with the average hospice.

The first graph below shows the breakdown of income. On average, retail income (**28%**), statutory income (**27%**) and fundraising income (**21%**) are the most important income sources for hospices.



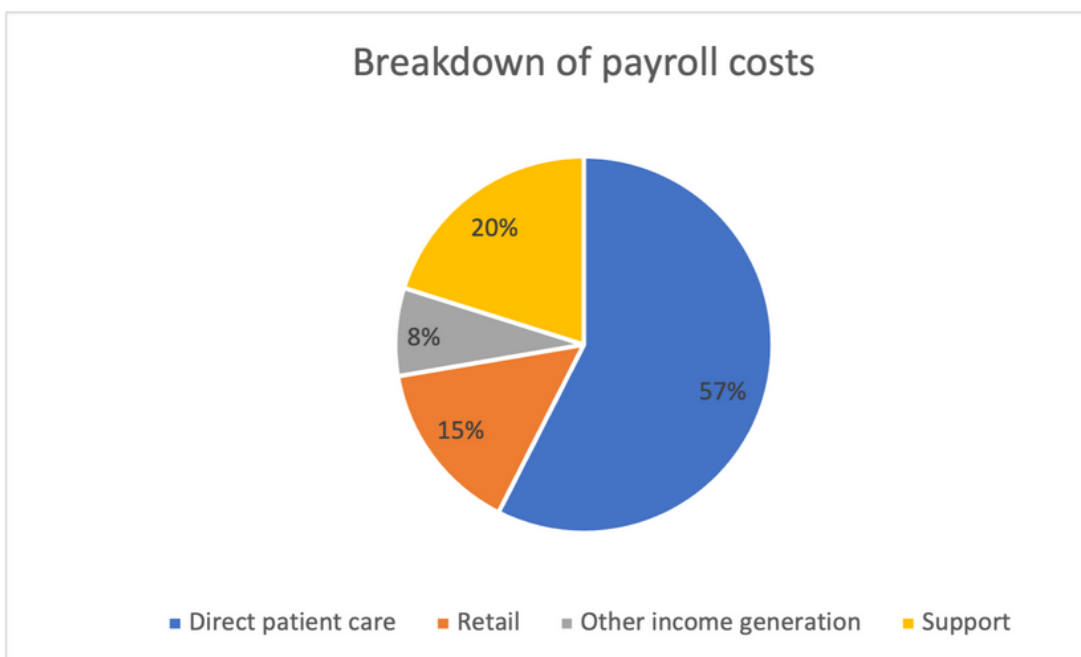
Expenditure



The graph above splits total costs between payroll, non-payroll and depreciation.

Staff costs are by far the most significant cost for hospices (as with most charities), representing **71%** of total costs. Hospices participating in the survey spent **£390M** x in the first six months of the year.

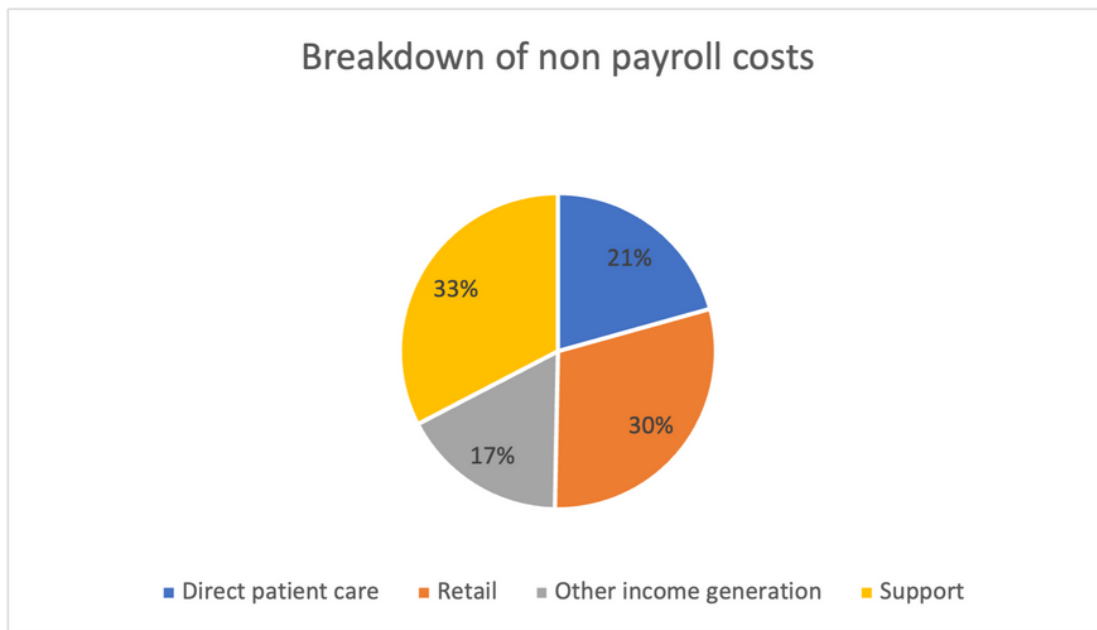
Payroll



The graphs above show the breakdown of payroll costs.

On average, **57%** of payroll costs were spent on direct care, with support costs at **20%** being the next biggest area.

Non payroll



Finally, the graph above show the breakdown of non-payroll costs for all hospices.

In contrast with payroll costs, care costs are a less significant proportion on non-pay costs.

Most non-pay costs are spent on retail (**30%**) and support (**33%**).

Shop Income and Profits

For most areas, it is difficult to compare actual results between hospices due to the differing size of the organisations. Therefore, in most cases, it is probably more useful to compare % change against budget and against prior year.

We are looking to add population data to enable comparison between different organisations. For now, as hospices have provided detail on the number of shops they are operating, the one area in which we do have data that enables us to provide useful comparisons of actual figures is retail.

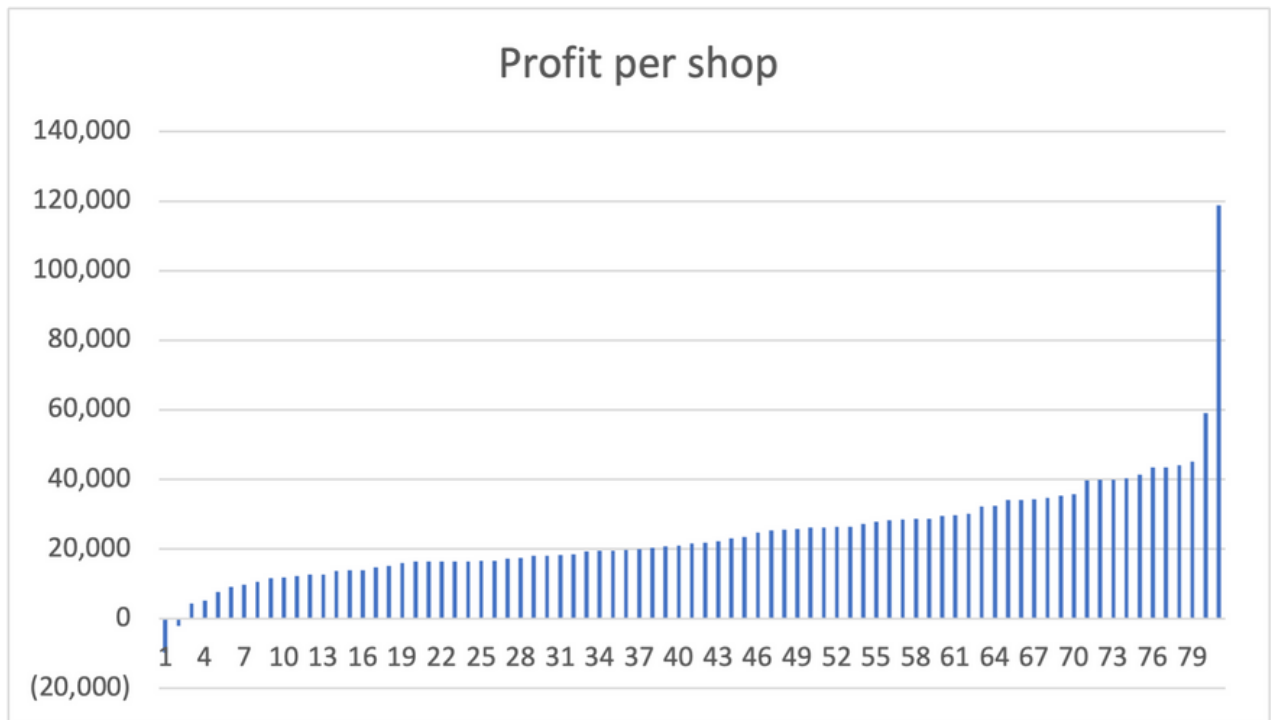
The first graph, below, shows the distribution of gross retail income per shop (there are only **81** lines on the graph as one hospice who is participating in the survey does not operate any shops).

Income per shop ranges from below **£30k** to over **£220k** (although this figure is a bit of an outlier, as the hospice with the second highest income per shop reports average income of **£138k**). The overall average income per shop is just below **£80k**.



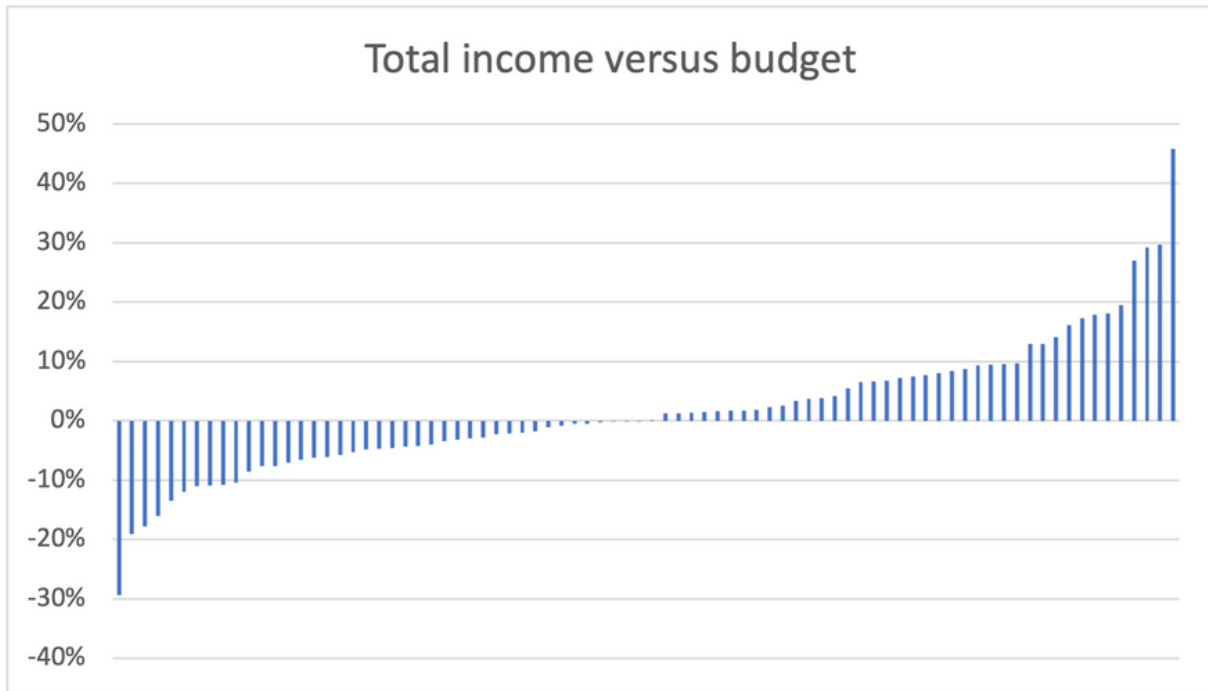
The average profit per shop for all hospices is just under **£25k** after six months. Two hospices are making a deficit on their retail operations.

Profits for the other **hospices** range from **£4k** to **£59k** per shop after six months, although we have one very successful outlier which is making an average profit per shop of **£119k**.



Performance against budget

- overall



The graph above shows whether individual hospice income is higher or lower than budget after quarter 2.

Overall, the sector is performing slightly better than its income budget (by **3%** overall). However there was significant variation between hospices.

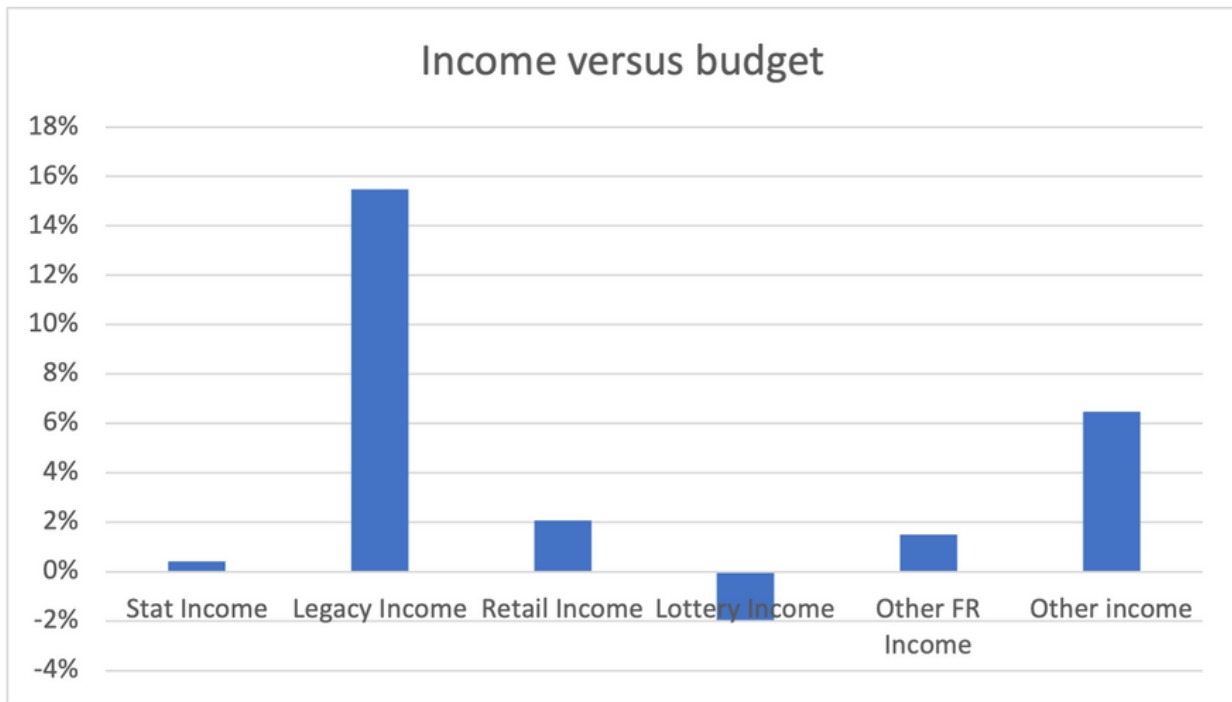
41 hospices reported total income below budget, and another **41** reported income above budget.

There is a cluster of **34** hospices around the middle (where income is within 5% of budget).

Ten hospices recorded income shortfalls of more than 10% of budget, with the worst performance being a shortfall of **29%** against budget.

In contrast, **12** hospices are outperforming their income budget by more than **10%**, with the strongest performer being **46%** ahead of budget for the first half of the year.

Income detail versus budget



The graph above shows the overall results against budget for different income streams, expressed in % terms.

The biggest increase is on legacy income, which is **15%** up on budget. It is possible this may be due to cautious budgeting, given this is such an unpredictable area.

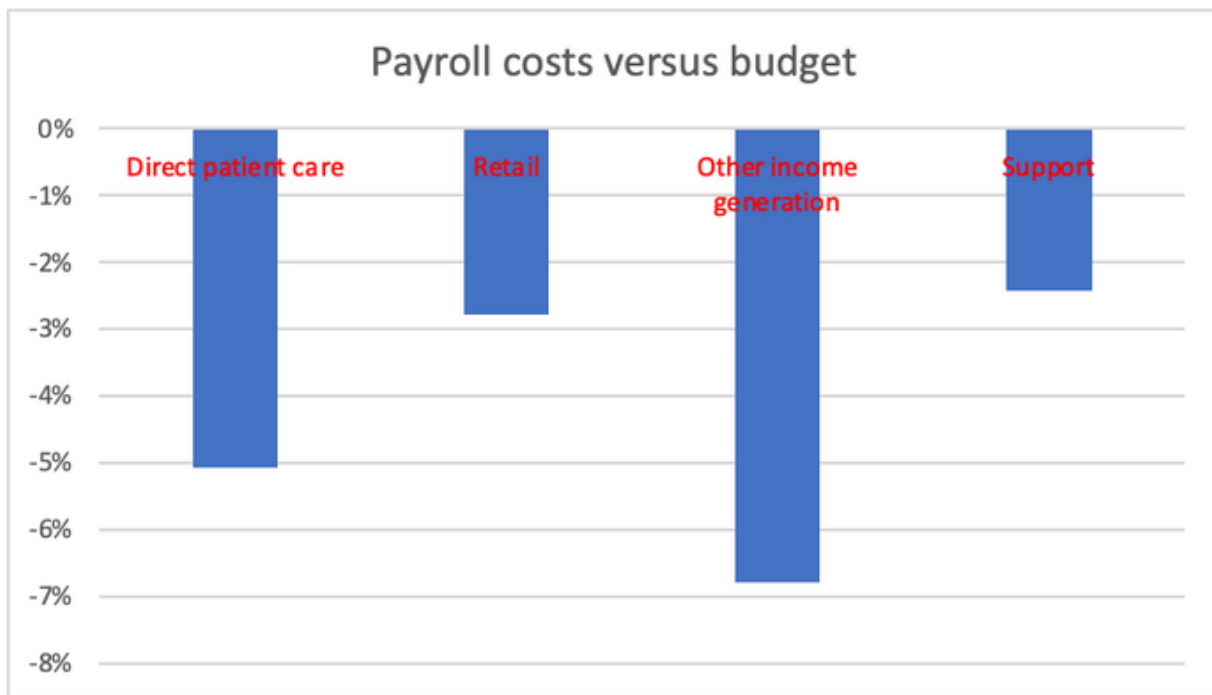
This volatility is borne out by the fact that actual legacy income was 11% *below* budget for the first quarter. Please also see page 19 for a comparison to last year with regard to legacies.

The only other area which shows a significant increase in income is other income, which is up **6%**, most likely due to high interest rates boosting investment income.

Statutory, retail and other fundraising income are marginally ahead of budget.

Lottery income (down **2%**) is the only area that is not performing as strongly as budgeted.

Payroll costs against budget

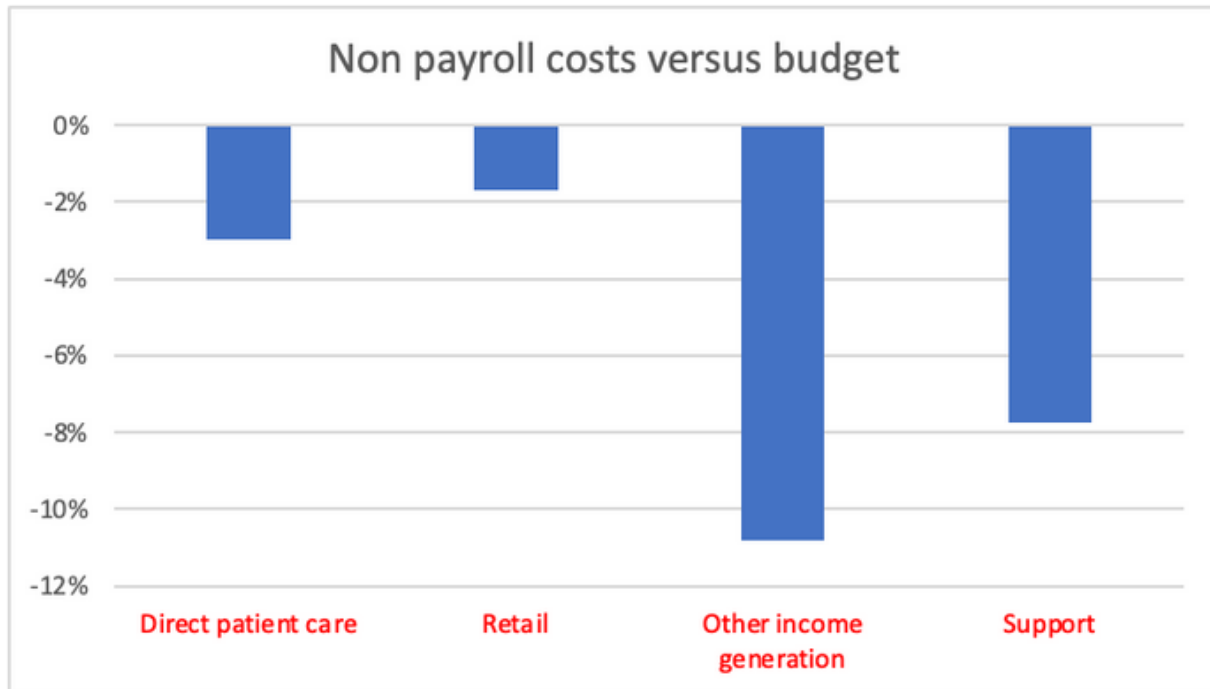


The graph above shows the overall results against budget for payroll costs (broken down by function).

Overall, payroll costs are running at **4%** under budget – the most likely reason for that is an inability to recruit to all budgeted roles. It is possible hospices could improve the accuracy of their budgeting by including a (higher) vacancy factor in their budget.

The graph implies that staffing shortages are being seen in all areas, but are most significant in fundraising, followed by direct care roles.

Non payroll costs versus budget



The graph above shows the overall results against budget for non-payroll costs (broken down by function).

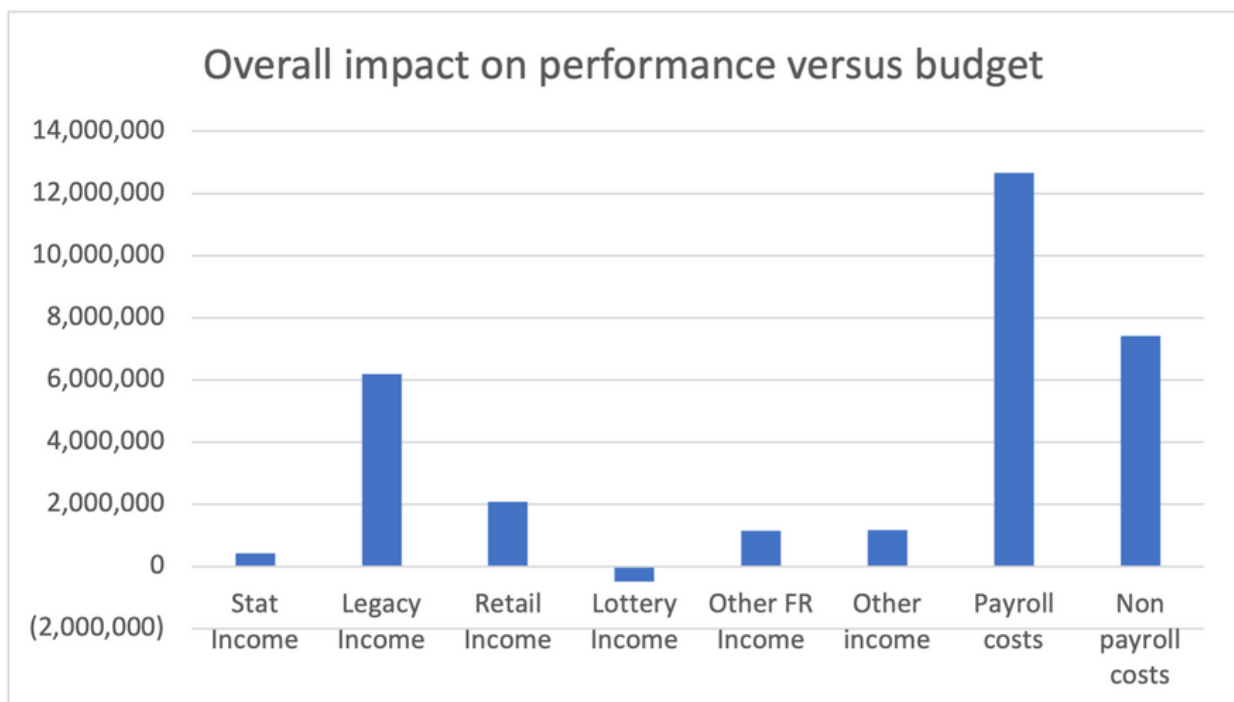
Overall, non-payroll costs are significantly lower than budget in quarter 2, by around **7%**.

All areas of non-pay costs are below budget, but the most significant area is fundraising (excluding retail) where spend is **11%** below budget and support costs, which are **8%** below budget.

Overall performance against budget

Overall, the hospices participating in the survey had budgeted for a deficit of **£51M**, but are actually performing around **£30M** better than they had budgeted.

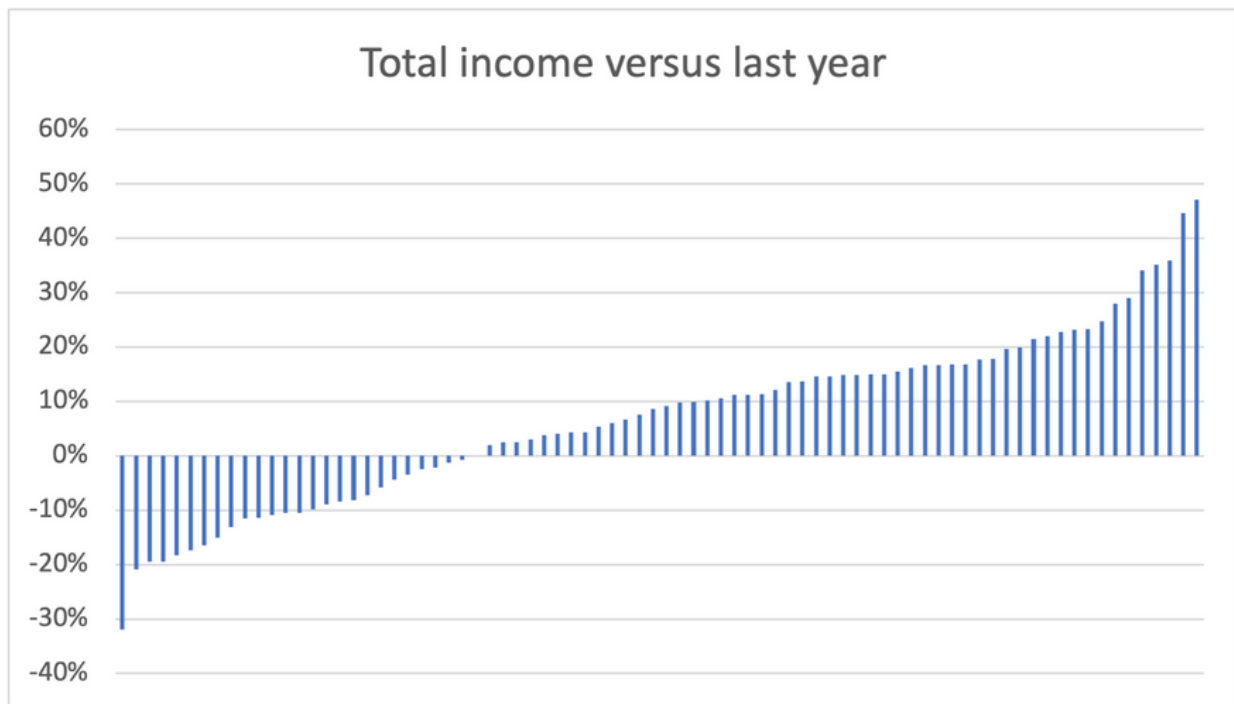
The graph below shows which areas of income and expenditure have had the most impact on that improved performance (amounts in this graph are expressed in £M's rather than %'s in order to show what variances have had the greatest impact).



The graph clearly shows that the improved performance against budget is being driven largely by savings against budget, and that the only significant income area which contributes to the overall improvement against budget is legacy income.

Nevertheless, it should be noted that collectively, hospices are performing better than they expected in every area except lottery income.

Performance against prior year



The graph on this page shows the overall income compared to the prior year.

Collectively, total income is up an impressive **12%** compared to the prior year.

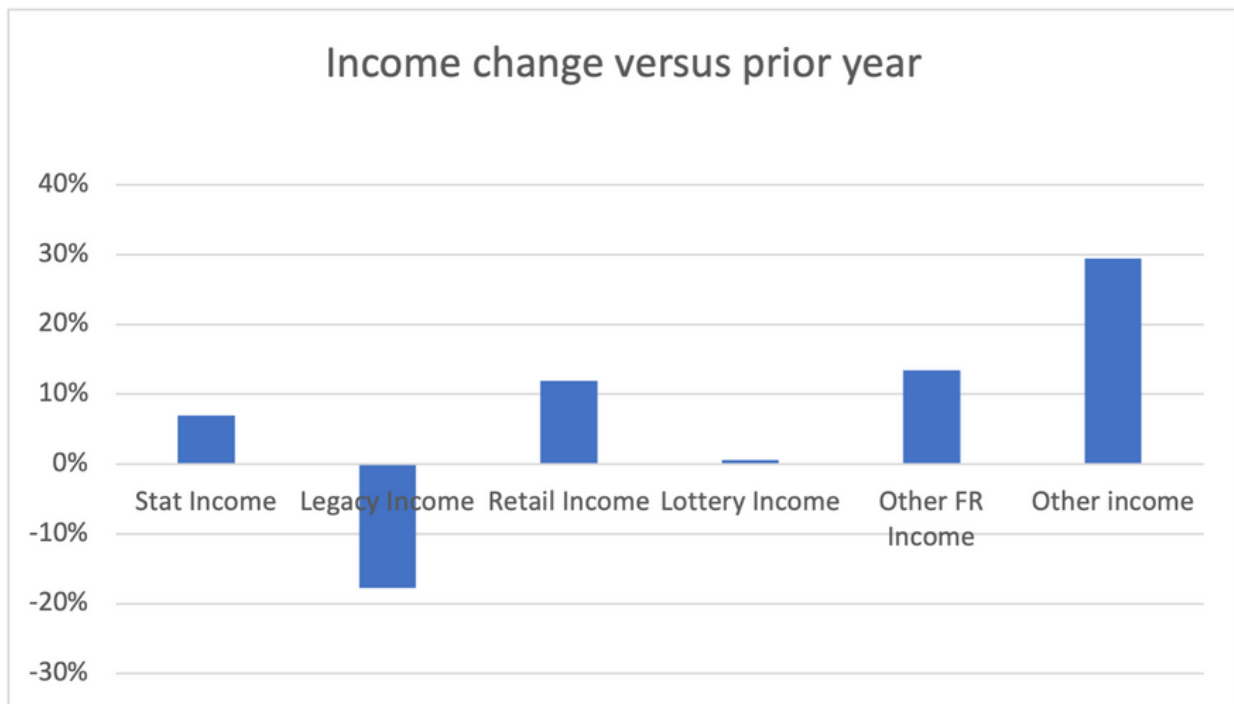
Most (**53** out of **82**) hospices are experiencing a growth in income, with the biggest increase being **47%** on the prior year.

However, **26** hospices have experienced a reduction in income compared to last year, and in some cases that fall is significant (one hospice reported identical income to the same period last year, and two did not provide comparative data for the prior year).

The worst performance was a **32%** drop in income compared to the prior year. Hospices with the biggest falls in income generally appear to have had lower legacy income this year.

Two hospices did not supply data relating to the prior year.

Income compared to prior year



The graph above compares income for different sources with the same period last year in % terms.

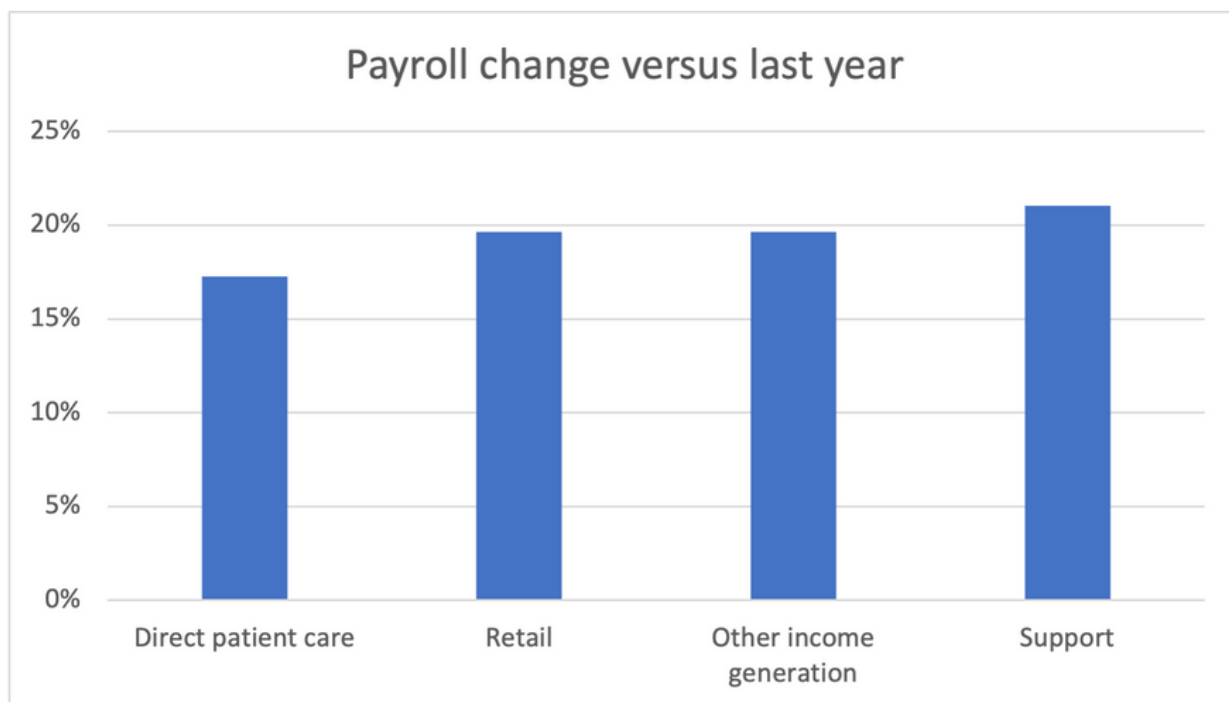
Apart from legacy income – which is down **18%** on the same period last year – all areas of income are up significantly on the prior year. It is interesting to compare this significant decline in year-on-year income for legacies with the fact the year-to-date figure is **15%** up on budget, as shown on page 14.

The most significant change is in other income, which is up **29%**, probably due to higher interest rates – although it should be noted that in absolute terms this is still a relatively small area of most hospices' income.

But retail income (**12%**) and other fundraising income (**13%**) are also up significantly on the prior year.

Somewhat surprisingly, statutory income is also up **7%** on the prior year.

Payroll compared to prior year

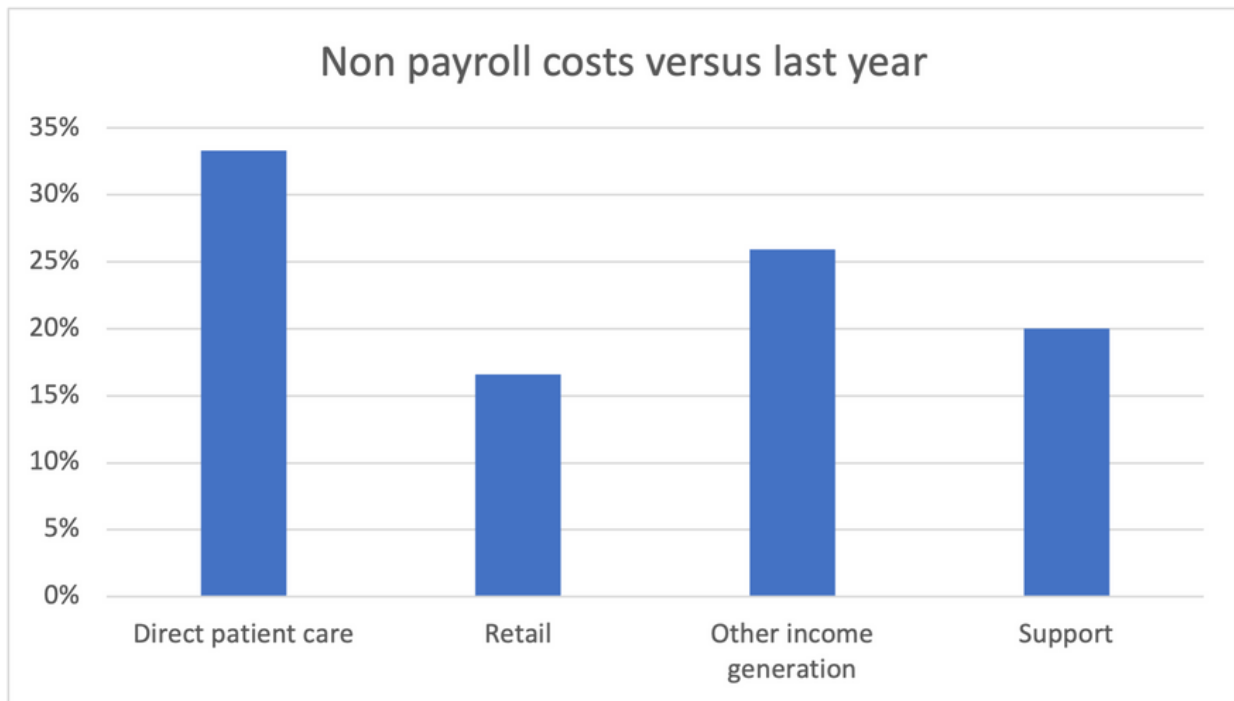


The graph above shows the overall results against budget for payroll costs (broken down by function).

Overall, payroll costs are running at a massive **18%** higher than the prior year. While pay rises were likely higher this year than in recent years, it is assumed that this increase also reflects an increase in the number of staff employed by hospices compared to last year (either due to less vacancies or deliberate expansions).

Pay costs are up significantly in all areas, though it is interesting that the biggest increase is in support, whilst the lowest one is in direct patient care.

Non payroll costs compared to prior year



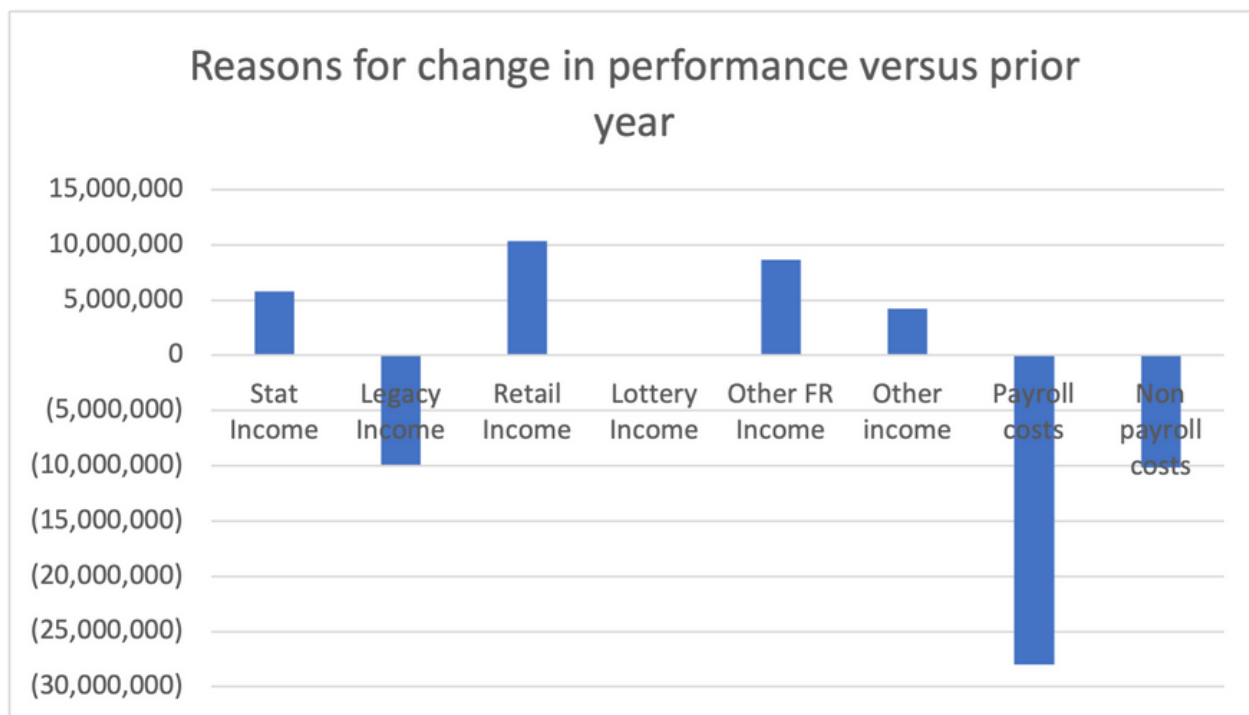
The graph above shows the overall results against last year for non-payroll costs (broken down by function).

Overall non-payroll costs are up a remarkable **22%** compared to the prior year, which represents an increase even higher than the headline inflation rate.

The most significant area of increase is in direct patient care, where costs are up by around a third compared to the prior year.

Overall change from prior year

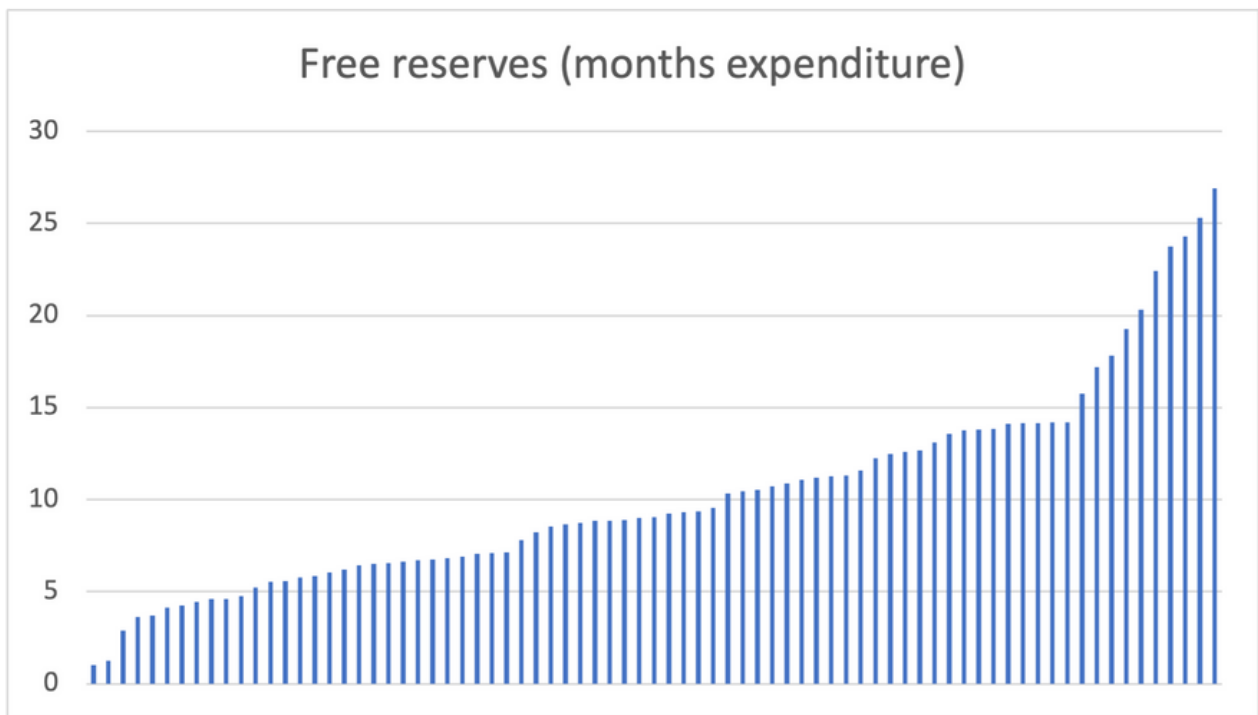
Overall, the hospices participating in the survey are performing around **£20M** worse than in the same period last year. The graph below highlights the overall reasons for that change.



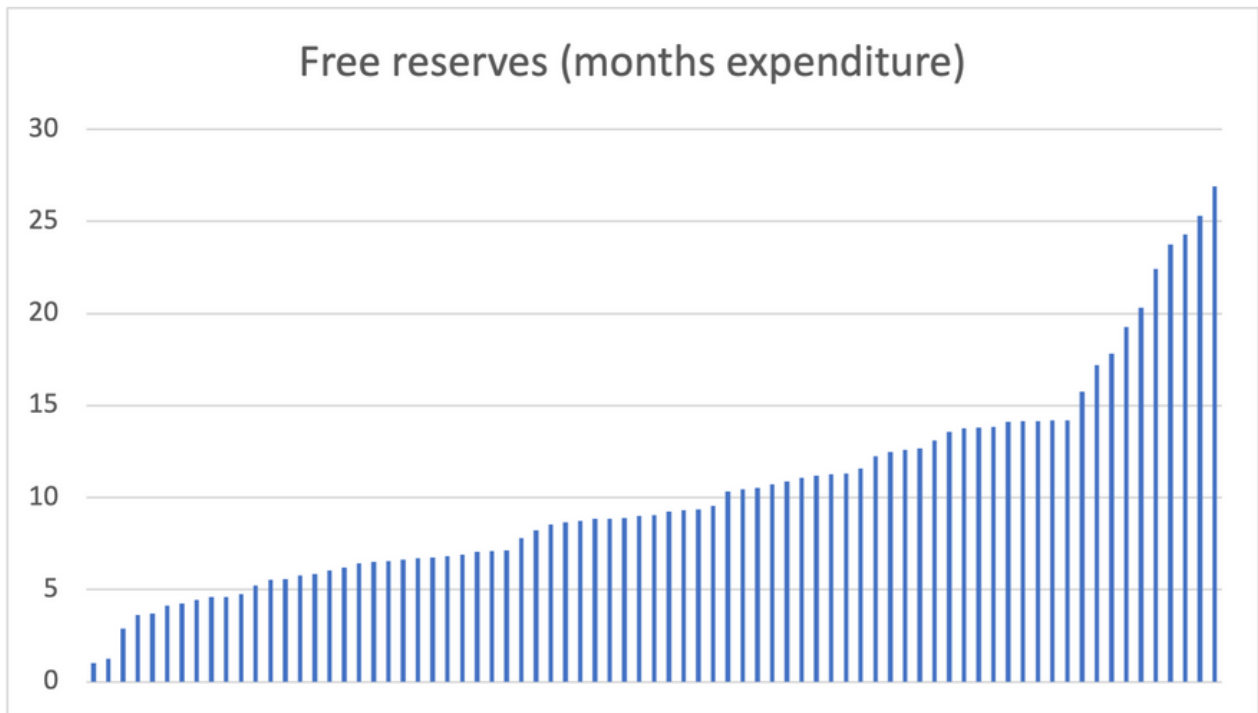
It is clear from the graph above that hospices are struggling due to a massive and unsustainable increase in costs, particularly payroll.

Most areas of income are actually increasing, but they cannot sufficiently compensate for the level of increase in costs.

Reserves



Individual reports



Each participating hospice will receive a separate confidential report showing how they rank based on different measures included in this report.

This report will contain four sections:

1. **Some key figures** so you can compare your performance to the averages included in this report (e.g. statutory funding %, retail income and profit per shop).
2. **Your performance versus budget** compared to the sector average for different type of income and expenditure.
3. **Your performance against last year** compared to the sector average for various types of income and expenditure..
4. **A comparison of your breakdown of income and expenditure** with the average hospice.

List of Participating Hospices

Acorns Children's Hospice Trust
Alice House Hospice
Arthur Rank Hospice Charity
Ashgate Hospicecare
Barnsley Hospice
Bluebell Wood Children's Hospice
City Hospice
Claire House Children's Hospice
Cornwall Hospice Care
Demelza Hospice Care for Children -
Demelza Kent
Dorothy House Hospice Care
Douglas Macmillan Hospice
Dove House Hospice
East Cheshire Hospice
Eden Valley Hospice
Farleigh Hospice
Forget Me Not Children's Hospice
Havens Hospices
Heart of Kent Hospice
Helen and Douglas House Hospice
Care for Children and Young Adults
Highland Hospice
Hospice in the Weald
Hospice of St Francis
Hospiscare
Isabel Hospice
Keech Hospice Care
Kemp Hospice
Kilbryde Hospice
Lindsey Lodge Hospice
Mary Ann Evans Hospice
Naomi House and Jacksplace
Children's Hospice
North Devon Hospice
Northern Ireland Hospice
Nottinghamshire Hospice
Oakhaven Hospice
Pendleside Hospice
Phyllis Tuckwell Hospice
Pilgrims Hospices In East Kent
Primrose Hospice
Prince and Princess of Wales Hospice
Princess Alice Hospice

Prospect Hospice
Queenscourt Hospice
Rainbows Hospice for Children and Young
People
Rennie Grove Peace Hospice Care
Rotherham Hospice
Saint Catherine's Hospice
Saint Michael's Hospice
Shooting Star Children's Hospices
St Andrew's Hospice (Grimsby)
St Ann's Hospice
St Barnabas Hospices
St Clare West Essex Hospice Care Trust
St Cuthbert's Hospice
St Gemma's Hospice
St Helena Hospice
St Kentigern Hospice
St Leonard's Hospice
St Luke's Hospice (Basildon)
St Luke's Hospice (Sheffield)
St Margaret's Hospice (Somerset)
St Mary's Hospice
St Nicholas Hospice Care
St Oswald's Hospice
St Richard's Hospice
St Rocco's Hospice
St Wilfrid's Hospice (Chichester)
Strathcarron Hospice
The Ayrshire Hospice
The Darlington & District Hospice
Movement (St Teresa's Hospice)
The Prince of Wales Hospice
The Rowans Hospice
The Shakespeare Hospice
Treetops Hospice Care
Trinity Hospice and Palliative Care Services
Ty Hafan
Weldmar Hospicecare
Weston Hospicecare
Wigan and Leigh Hospice
Willowbrook Hospice
Wirral Hospice St John's
Woking & Sam Beare Hospice

We thank you for
participating in the Hospice
Financial Benchmarking
Report.

Acknowledgements

Thank you to the 82 hospices who are participating
in the benchmarking work.

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